

trading crowd to generate automatically updated market quotations shall be as agreed upon by the trading crowd. This is made subject to the exception that in those trading crowds where a Designated Primary Market-Maker ("DPM") has been appointed, the DPM has the primary responsibility for determining the variables of the formula used to generate automatically updated market quotations. The DPM is required to disclose the components used in that formula to any member of the trading crowd immediately upon request, provided that the MTS Committee will have the discretion to exempt DPMs using proprietary automated quotation updating systems from having to disclose proprietary information concerning the formulas used by those systems.

#### Joint Responses to Requests for Markets

When a request for a market to buy or sell a large number of options is submitted to a trading crowd, it is usually the case that the customer on whose behalf the request is made wants to know promptly at what single price all of the options represented by the request can be bought or sold. A unitary specialist at another competing market is better equipped to provide this kind of response. In order to compete effectively, the collective members of a market maker trading crowd must also provide a response to this kind of request. Interpretation and Policy 8.7.09 expressly permits the collective response to a group of members.

#### A Crowd's Agreeing to Honor its Market at a Greater Than Required Size

CBOE's firm quote rule (Rule 8.51) generally obligates each trading crowd to honor disseminated quotations for ten contracts. In some cases, especially for classes of options traded in more than one market, trading crowds on CBOE may be required by competitive and other business considerations to honor disseminated quotations for more than the required ten contracts. CBOE believes this necessarily requires agreement among the market-makers in the trading crowd before it can be announced. Interpretation and Policy 8.51.09 expressly contemplates such an agreement among the members of a trading crowd.

By enhancing the ability of CBOE to make competitive, fair and orderly markets in options, the proposed rule change is consistent with, and in furtherance of, the objectives of Section 11A(a)(1)(C)(ii)<sup>2</sup> of the Act to assure fair competition among markets, and the

objectives of Section 6(b)(5)<sup>3</sup> of the Act to perfect the mechanism of a free and open market and a national market system and to protect investors and the public interest.

#### B. Self-Regulatory Organization's Statement on Burden on Competition

CBOE does not believe that the proposed rule change will impose any burden on competition.

#### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule

##### Change Received From Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

#### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such timing will also be available for inspection and copying at the principal office of CBOE. All

submissions should refer to the File No. SR-CBOE-98-04 and should be submitted by April 14, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39769; File No. JR-CBOE-98-08]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change By the Chicago Board Options Exchange, Inc., Relating to Electronic Filing of FOCUS Reports

March 17, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act"),<sup>1</sup> notice is hereby given that on February 20, 1998, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange.<sup>2</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The CBOE proposes to require members who are required to compute net capital under Exchange Act Rule 15c3-1 ("net capital computing members") to file their FOCUS reports electronically using the WinJammer™ system.

The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CBOE included statements concerning

<sup>4</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> On March 16, 1998, the CBOE made a technical amendment to the proposal clarifying the implementation schedule for the electronic filing requirement contained therein. Telephone conversation between Timothy Thompson, Senior Attorney, Exchange, and Kenneth Rosen, Attorney, Division of Market Regulation, Commission (March 16, 1998).

<sup>2</sup> 15 U.S.C. 78k-1(a)(1)(C)(ii).

<sup>3</sup> 15 U.S.C. 78f(b)(5).

the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

**A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

Exchange Rule 15.5 requires members to file financial reports in a manner prescribed by the Exchange. Pursuant to Rule 15.5, the Exchange will now require that net capital computing members file electronically their required monthly/quarterly FOCUS reports<sup>3</sup> using the WinJammer system. The Exchange will add Interpretation .02 to Rule 15.5 to set forth this requirement in its Rules. By requiring net capital computing firms to file their FOCUS reports electronically, the Exchange will be making its requirements consistent with those of the New York Stock Exchange and the National Association of Securities Dealers.

The use of WinJammer to collect FOCUS information ensures that the Exchange receives FOCUS reports from members without the risk of filings being lost. Additionally, because of the rigorous edit checks in the WinJammer system, the FOCUS data received will more likely be accurate and complete. Electronic receipt of FOCUS data also means that Exchange staff and outside vendors will no longer have to re-key the information; thus, freeing up Exchange resources for more important tasks. The Exchange will provide members with copies of the WinJammer software.

By requiring net capital computing firms to file electronically, the Exchange will help to reduce errors and save resources. The filing, therefore, is consistent with and furthers the objectives of Section 6(b)(5) of the Exchange Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

<sup>3</sup> "FOCUS reports" are the Financial and Operational Combined Uniform Single Report which most broker-dealers are required to file with their designated examining authority pursuant to Exchange Act Rule 17a-5.

**B. Self-Regulatory Organization's Statement on Burden on Competition**

CBOE does not believe that the proposed rule change will impose any burden on competition.

**C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others**

No written comments were solicited or received with respect to the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act<sup>4</sup> and subparagraph (e)(1) of Rule 19b-4 thereunder because the proposal constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the Exchange.<sup>5</sup> Notwithstanding that this rule change is effective immediately upon filing, the CBOE will not require the filing of the electronic FOCUS reports until June 1998. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>5</sup> 17 CFR 240.19b-4(e)(1). In reviewing this rule, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to the File No. SR-CBOE-98-08 and should be submitted by April 14, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

**Margaret H. McFarland,**  
Deputy Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-39759; File No. SR-CHX-97-36]

**Self-Regulatory Organizations; Order Approving Proposed Rule Change by the Chicago Stock Exchange, Inc., Relating to the Structure and Composition of the Board of Governors**

March 6, 1998.

**I. Introduction**

On December 16, 1997, The Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder.<sup>2</sup> In this filing the Exchange proposed amendments to the structure and composition of its Board of Governors ("Board") to include greater participation and oversight by individuals who are not affiliated with the Exchange or registered brokers or dealers.<sup>3</sup> The filing was amended on January 16, 1998, to revise certain Board

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Specifically, the CHX proposed amendment to Articles III, IV and V of its Constitution and Article IV, Rules 7, 8 and 10 of its Rules. The revised text of the Constitution and Rules accompany this Order in the Addendum hereto and are incorporated herein.

For purposes of this Order, "affiliated" refers to a member of the Board of Governors or a committee who is either a member of the Exchange or affiliated with a broker or dealer in securities, and includes all Member Governors and CHX committee members. Non-affiliated and Non-Industry both refer to a CHX Board or committee member who is neither a member of the Exchange nor affiliated with a broker or dealer. Finally CHX *Public* Governors and committee members, a subset of the Non-Affiliated or Non-Industry category, are those who have no material business relationship with the Exchange, a broker or a dealer.